

REDACTED – FOR PUBLIC INSPECTION

VIA ECFS

July 1, 2015

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, S.W.
Washington, D.C. 20554

RE: **REQUEST FOR CONFIDENTIAL TREATMENT**
WC Docket No. 14-58 - ETC Annual Reports and Certifications

Request that Information Submitted to the Commission be Withheld from Public Inspection Pursuant to 47 C.F.R. §0.459 and 5 U.S.C. §552(b)(4): Five-Year Service Quality Improvement Plan Progress Report included in FCC Form 481

Confidential Financial Information – Subject to Protective Order in WC Docket Nos. 10-90, 07-135, 05-337, 03-109, 14-58, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Before the Federal Communications Commission

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Five Area Telephone Cooperative, Inc. (the Cooperative), Study Area Code 442171 is submitting a completed FCC Form 481 to the Commission via its Electronic Comment Filing System (ECFS) in WC Docket No. 14-58. The Cooperative, by its authorized representative, hereby requests confidential treatment of two attachments to its FCC Form 481: (1) the five-year service quality improvement plan progress report and (2) the financial annual report, both of which were redacted in the ECFS submission. The request for confidential treatment of the five-year plan progress report is being made pursuant to Section 0.459 of the Commission's rules and Exemption 4 of the Freedom of Information Act (FOIA). The request for confidential treatment of the financial annual report is being made pursuant to the FCC's June 17, 2015 *Protective Order* in WC Docket

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No. 10-90 *et al.* These attachments contain competitively sensitive data that Five Area Telephone maintains as confidential and does not normally make available to the public. Release of this information would have a substantial negative impact on the Cooperative.

Five-Year Service Quality Improvement Plan Progress Report

Pursuant to Section 0.459 of the Commission's rules and Exemption 4 of FOIA, Five Area Telephone requests that the text and data extracted from its five-year service quality improvement plan progress report be withheld from public inspection because it contains competitively sensitive commercial and financial information that the Cooperative keeps confidential. Public availability of this information would have a substantial negative impact on the Cooperative.

In accordance with Section 0.459 of the Commission's rules, the following information is provided in support of this request:

(1) Identification of the specific information for which confidential treatment is sought:

Attachment to Line 112 of FCC Form 481 – Five-Year Service Quality Improvement Plan Progress Report. Specifically, confidential treatment is sought for all information in the five-year plan progress report related to the Cooperative's access line counts, existing broadband capabilities, and current and planned financial investments in its network that will improve service quality, service coverage, and/or service capacity for its customers.

(2) Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission:

The information was submitted in WC Docket No. 14-58 as an attachment to FCC Form 481- the Carrier Annual Reporting Data Collection Form. Section 100 of FCC Form 481 requires incumbent local exchange carriers receiving high cost support to attach a progress report on its five-year service quality improvement plan, pursuant to 47 C.F.R. §54.313(a)(1).

(3) Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged:

The five-year service quality improvement plan progress report contains granular information on the Cooperative's access line counts and/or existing broadband capabilities as well as recent and planned capital investments in its network to improve service quality, service coverage, and/or service capacity. It also contains a map of the Cooperative's service area detailing progress toward meeting broadband

deployment targets at the wire center level. This is closely guarded, privileged information that the Cooperative does not make publicly available.

- (4) Explanation of the degree to which the information concerns a service that is subject to competition:

Broadband is subject to increasing competition in the areas served by rural, rate-of-return incumbent local exchange carriers (RLECs). Virtually all RLECs face competition from one or more wireless Internet service providers. Most RLECs also face competition from at least one other wireline broadband provider, such as a larger cable company, who will typically seek to “cherry pick” the lower cost portions of the study area. In addition, all RLECs face competition throughout their territories from satellite broadband providers.

- (5) Explanation of how disclosure of the information could result in substantial competitive harm:

Disclosure of the information contained in the five-year plan progress report would provide competitors with detailed, granular information regarding the Cooperative’s access line count, its existing broadband capabilities, and its recent and planned network investments that improve service quality, coverage, and/or capacity for subscribers. This would give competitors invaluable confidential information with which to develop their own strategies for investing in the service area, thereby bringing substantial competitive harm to the Cooperative.

- (6) Identification of any measures taken by the submitting party to prevent unauthorized disclosure:

The Cooperative has continually treated the extracted information in its five-year plan progress report as confidential and carefully controls the information to protect it from competitors. Access to the information is limited to employees that require it and to non-employees with confidentiality obligations such as lenders, consultants, auditors, and attorneys. In addition, when such information is required to be submitted to a state regulatory authority it has been filed as confidential information, not available to the public.

- (7) Identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties:

The redacted information in the five-year plan progress report is not available to the public, and third-party access is limited as described in (6) above.

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- (8) Justification of the period during which the submitting party asserts that material should not be available for public disclosure:

The Cooperative requests that the extracted information be withheld from public inspection indefinitely. The information in the five-year plan progress report details the Cooperative's most recent network upgrades in relation to its previously submitted service quality improvement plan. It may also contain upcoming planned network improvements during the five-year period ending 2019. This information would provide a very useful baseline for competitors for several years beyond that period.

- (9) Any other information that the party seeking confidential information treatment believes may be useful in assessing whether its request for confidentiality should be granted:

Exemption 4 of FOIA shields from public disclosure commercial or financial information obtained from a person that is privileged or confidential. Based on the responses provided above, the information in question satisfies this test.

Financial Annual Report

Section 3005 of FCC Form 481 requires a privately-held rate-of-return carrier receiving high cost support to attach a full and complete annual report of the company's financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). Five Area Telephone seeks confidential treatment of its financial annual report pursuant to the June 17, 2015 *Protective Order* in WC Docket No. 10-90, *et al.*¹ The *Protective Order* specifically covers information filed pursuant to 47 C.F.R. §54.313(f)(2).

Five Area Telephone is providing to the Office of the Secretary, under seal, this cover letter and the Form 481 filing which includes the confidential information that is being requested to be withheld from public inspection.

Each page of the five-year service quality improvement plan progress report confidential submission bears the legend, "CONFIDENTIAL – NOT FOR PUBLIC DISCLOSURE."

Each page of the financial annual report confidential submission bears the legend, "CONFIDENTIAL FINANCIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, 14-58, CC DOCKET NOS. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

¹ *Connect America Fund et al.*, WC Docket No. 10-90 *et al.*, *Protective Order*, DA 15-712 (rel. June 17, 2015).

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Two copies of the Form 481 filing in redacted form and an accompanying cover letter are also being provided with the confidential filing. Each page of the redacted filing and accompanying cover letter is marked "REDACTED – FOR PUBLIC INSPECTION."

Two copies of this cover letter and the Form 481 filing with the confidential information are also being delivered to Mr. Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau.

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as attachments to the FCC Form 481.

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Deb Morgan". The signature is fluid and cursive, with the first name "Deb" being more prominent than the last name "Morgan".

Deb Morgan
Authorized Representative for
Five Area Telephone Cooperative, Inc.

DM/pjf

Enclosures

cc: Mr. Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, Federal Communications Commission, (2 hardcopies of non-redacted submission)

Mr. Mark Washington, Five Area Telephone Cooperative, Inc.

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code	442071
<015> Study Area Name	FIVE AREA TEL. COOP. INC
<020> Program Year	2016
<030> Contact Name: Person USAC should contact with questions about this data	Patti Kent
<035> Contact Telephone Number: Number of the person identified in data line <030>	8062725533 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	pattik@fivearea.com

ANNUAL REPORTING FOR ALL CARRIERS	54.313 Completion Required	54.422 Completion Required
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<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<330> Detail on Attempts (broadband)	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<440> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<450> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 442071tx510.pdf	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 442071tx610.pdf	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)?	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability Certification	Yes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1010> 442071tx1010.pdf	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1100> Certify whether terrestrial backhaul options exist (Yes or No)	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1110>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

<2000> Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**(100) Service Quality Improvement Reporting
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442071
<015>	Study Area Name	FIVE AREA TEL. COOP. INC
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Patti Kent
<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com
<110>	Has your company received its ETC certification from the FCC? If your answer to Line <110> is yes, do you have an existing "5 year plan" filed with the FCC?	<input checked="" type="radio"/> (yes / no) <input type="radio"/> (yes / no) <input type="radio"/>
<111>		

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

442071tx112.pdf

Name of Attached Document

Please select the appropriate responses below (Yes, No, Not Applicable) to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to §54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113>	Maps detailing progress towards meeting plan targets	Yes
<114>	Report how much universal service (USF) support was received	Yes
<115>	How much (USF) was used to improve service quality and how support was used to improve service quality	Yes
<116>	How much (USF) was used to improve service coverage and how support was used to improve service coverage	Yes
<117>	How much (USF) was used to improve service capacity and how support was used to improve service capacity	Yes
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	Not Applicable

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

1/1/2015	
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[illegible]

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code

442071

<015>	Study Area Name
-------	-----------------

FIVE AREA TEL. COOP. INC

<020>	Program Year
-------	--------------

2016

<030> Contact Name - Person USAC should contact regarding this data

Patti Kent

<035> Contact Telephone Number - Number of person identified in data line <030>

8062725533 ext.

<039>	Contact Email Address - Email Address of person identified in data line <030>

pattik@fivearea.com

[illegible]

FCC Form 481
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July 2013

<010>	Study Area Code	442071
<015>	Study Area Name	FIVE AREA TEL. COOP. INC.
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Patti Kent
<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com
<810>	Reporting Carrier	Five Area Telephone Cooperative, Inc.
<811>	Holding Company	Not Applicable
<812>	Operating Company	Five Area Telephone Cooperative, Inc.

[illegible]

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442071
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<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Patti Kent
<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

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Name of Attached Document

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

[illegible]

- | | |
|-------|--|
| <921> | Needs assessment and deployment planning with a focus on Tribal community anchor institutions. |
| <922> | Feasibility and sustainability planning; |
| <923> | Marketing services in a culturally sensitive manner; |
| <924> | Compliance with Rights of way processes |
| <925> | Compliance with Land Use permitting requirements |
| <926> | Compliance with Facilities Siting rules |
| <927> | Compliance with Environmental Review processes |
| <928> | Compliance with Cultural Preservation review processes |
| <929> | Compliance with Tribal Business and Licensing requirements. |

<010>	Study Area Code	442071
<015>	Study Area Name	FIVE AREA TEL. COOP. INC
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Patti Kent
<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

<1120> Please confirm whether terrestrial backhaul options exist within the supported area pursuant to § 54.313(g) (Yes, No).

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers		FCC Form 481
Lifeline		OMB Control No. 3060-0986/OMB Control No. 3060-0819
Data Collection Form		July 2013

<010>	Study Area Code	442071
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<030>	Contact Name - Person USAC should contact regarding this data	Patti Kent
<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

442071tx1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

<1220>	Link to Public Website	HTTP	Name of Attached Document
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"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>	Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

(2000) Price Cap Carrier Additional Documentation

Data Collection Form

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442071
<015>	Study Area Name	FIVE AREA TEL. COOP. INC
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Patti Kent
<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725553 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

- <2010> 2nd Year Certification {47 CFR § 54.313(b)(1)i}
<2011a> 3rd Year Certification {47 CFR § 54.313(b)(1)ii}
<2011b> Attachment {47 CFR § 54.313(b)(1)ii}

Name of Attached Document(s) Listing Required Information	

Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}

- <2012> 2013 Frozen Support Calculation {47 CFR § 54.313(c)(1)}
<2013> 2014 Frozen Support Calculation {47 CFR § 54.313(c)(2)}
<2014> 2015 Frozen Support Calculation {47 CFR § 54.313(c)(3)}
<2015> 2016 and future Frozen Support Calculation {47 CFR § 54.313(c)(4)}

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

Certification Support Used to Build Broadband

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Connect America Phase II Reporting {47 CFR § 54.313(e)}

- <2017> 3rd year Broadband Service Certification
<2018> 5th year Broadband Service Certification
<2019> Interim Progress Certification

Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

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- <2021> Interim Progress Community Anchor Institutions

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Name of Attached Document(s) Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation

Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
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<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3010) Progress Report on 5 Year Plan
Milestone Certification (47 CFR § 54.313(f)(1)(ii))

442071tx3010.pdf	Name of Attached Document Listing Required Information
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☒

(3011) Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

442071tx3012.pdf	Name of Attached Document Listing Required Information
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(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))

(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))

(3014) If yes, does your company file the RUS annual report

Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)

(3016) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

	Name of Attached Document Listing Required Information
--	--

(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation

☒

(3018) If the response is no on line 3014, Is your company audited?

If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains

(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications

☒

(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

☒

(3021) Management letter and audit opinion issued by the independent certified public accountant that performed the company's financial audit

☒

If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,

☐

(3023) Underlying information subjected to a review by an independent certified public accountant

☐

(3024) Underlying information subjected to an officer certification.

☐

(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

☐

442071tx3026.pdf	Name of Attached Document Listing Required Information
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(3026) Attach the worksheet listing required information

(3000) Rate Of Return Carrier Additional Documentation (Continued)

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

Data Collection Form

<010>	Study Area Code	442071
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<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com



- Financial Data Summary
- (3027) Revenue

(3028) Operating Expenses

(3029) Net Income

(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends

**Certification - Reporting Carrier
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Agent / Carrier
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code	442071
<015> Study Area Name	FIVE AREA TEL. COOP. INC
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<030> Contact Name - Person USAC should contact regarding this data	Patti Kent
<035> Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Deb Morgan</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>Deb Morgan</u>
Name of Reporting Carrier:	<u>FIVE AREA TEL. COOP. INC</u>
Signature of Authorized Officer:	<u>CERTIFIED ONLINE</u> Date: <u>06/29/2015</u>
Printed name of Authorized Officer:	<u>Mark Washington</u>
Title or position of Authorized Officer:	<u>General Manager</u>
Telephone number of Authorized Officer:	<u>8062725533 ext.</u>
Study Area Code of Reporting Carrier:	<u>442071</u> Filing Due Date for this form: <u>07/01/2015</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>FIVE AREA TEL. COOP. INC</u>
Name of Authorized Agent or Employee of Agent:	<u>Deb Morgan</u>
Signature of Authorized Agent or Employee of Agent:	<u>CERTIFIED ONLINE</u> Date: <u>06/29/2015</u>
Printed name of Authorized Agent or Employee of Agent:	<u>Deb Morgan</u>
Title or position of Authorized Agent or Employee of Agent:	<u>Manager</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>5123432544 ext.</u>
Study Area Code of Reporting Carrier:	<u>442071</u> Filing Due Date for this form: <u>07/01/2015</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

**LINE 112 – FIVE-YEAR SERVICE QUALITY IMPROVEMENT PLAN
PROGRESS REPORT**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE

Five Area Telephone Cooperative, Inc. (the “Cooperative”) complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Cooperative operates are outlined in its member services tariff, which is approved by the Public Utility Commission of Texas (“Texas PUC”). The tariff contains provisions regarding the Cooperative’s customer service and protection practices.

Service quality standards for voice service are established by the Texas PUC. The Cooperative consistently meets or exceeds those standards and provides reports to the Texas PUC, in accordance with the Texas PUC’s rules.

With regard to broadband service, the Cooperative provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a “best effort” service and are dependent upon a number of variables, many of which are outside the control of the Cooperative.

The Cooperative complies with any and all consumer protection obligations under state law.

The Cooperative also complies with the following consumer best practices: (1) the Cooperative discloses its rates and terms of service to customers; (2) the Cooperative provides specific disclosures in its advertising; (3) the Cooperative separately identifies carrier charges from taxes on its billing statements; (4) the Cooperative provides ready access to customer service; (5) the Cooperative promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Cooperative abides by policies for protection of consumer privacy.

Finally, the Cooperative has a policy and established operating procedures that comply with the FCC’s Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011). Certification of the Cooperative’s compliance with CPNI rules and a description of the Cooperative’s operating procedures that ensure compliance are filed annually with the FCC.

LINE 610 - ABILITY TO FUNCTION IN EMERGENCY SITUATIONS

Five Area Telephone Cooperative, Inc. is able to function in emergency situations for both voice and broadband service. The Cooperative has a reasonable amount of back-up power to ensure functionality without an external power source. Standby power generators are supplied at the central office, remote switch sites, and repeater sites to ensure functionality without an external power source until power is restored. The network is capable of managing traffic spikes resulting from emergency situations.

The Cooperative is able to reroute traffic around damaged facilities. Although the Cooperative's ability to reroute traffic around damaged facilities is not absolute and may be limited in certain circumstances, there is a restoration plan in place for expeditious recovery of service, including splicing of damaged facilities when warranted.

LINE 1010 – VOICE SERVICES RATE COMPARABILITY

The Wireline Competition Bureau's most recent reasonable comparability benchmark for voice services is \$47.48, which includes the federal subscriber line charge ("SLC").¹

In all of the exchanges served by Five Area Telephone Cooperative, Inc. ("the Cooperative"), the single-line residential local rate, including any mandatory extended area service charge, is \$17.10. When the federal SLC (\$6.50) and the state universal service fee (\$.58) are included, the rate becomes \$24.23. Therefore, the Cooperative's pricing of fixed voice services is less than the reasonable comparability benchmark of \$47.48.

¹ *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes*, Public Notice, WC Docket No. 10-90, DA 15-470 (rel. April 16, 2015).

LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS

Residential customers of Five Area Telephone Cooperative, Inc. (“the Cooperative”) who qualify for the Lifeline Program receive a discount of \$12.75 (\$9.25 federal discount + \$3.50 state discount) on a flat-rate residential access line.

The Lifeline single-line residential rates, including any applicable mandatory extended area service charge and the federal subscriber line charge (“SLC”) are provided below for the exchanges the Cooperative serves:

Bula Exchange is **\$10.85** (\$23.60 standard rate - \$12.75 discount);

Lariat, Lazbuddie, Lehman, Maple and Needmore are **\$10.35** (\$23.10 standard rate - \$12.75 discount).

All single-line residential customers, including Lifeline customers, have an unlimited number of minutes for calls made within their local calling area.

Toll charges for calls outside of the local calling area are determined by the long distance carrier of the customer’s choosing. Customers may elect to subscribe to toll blocking at no charge.

The Cooperative does not disconnect the service of Lifeline subscribers for the non-payment of toll charges. However, the Cooperative reserves the right to implement toll blocking, at no charge, if the customer incurs a significant balance of unpaid toll bills.

Lifeline Program reductions do not apply to additional services such as information-related services and custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

Additional information regarding the terms and conditions of voice telephony Lifeline plans can be found at: <http://www.fivearea.com/images/homepage/lifeline.pdf>.

LINE 3010 – MILESTONE CERTIFICATION

Five Area Telephone Cooperative, Inc. (the “Cooperative”) hereby certifies that the Cooperative has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 4 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to reasonably comparable offerings in urban areas, and that requests for such service are met within a reasonable amount of time.

LINE 3012 – COMMUNITY ANCHOR INSTITUTIONS

Five Area Telephone Cooperative, Inc. did not newly deploy broadband service to any community anchor institutions in the preceding calendar year (2014).

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

MULESHOE, TEXAS

**CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING
AND ACCOMPANYING INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
MULESHOE, TEXAS

**CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING
AND ACCOMPANYING INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
MULESHOE, TEXAS**

**CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING
AND ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

TABLE OF CONTENTS (CONTINUED)

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Consolidated Financial Statements		
Consolidated Balance Sheets	Exhibit A	3
Consolidated Statements of Income and Patronage Capital	Exhibit B	4
Consolidated Statements of Comprehensive Income	Exhibit C	5
Consolidated Statements of Cash Flows	Exhibit D	6
Notes to Consolidated Financial Statements		7
Consolidating and Accompanying Information		
Consolidating Information, 2014		
Balance Sheet	Schedule 1	25
Statement of Income (Loss) and Patronage Capital	Schedule 2	26
Statement of Comprehensive Income (Loss)	Schedule 3	27
Statement of Cash Flows	Schedule 4	28
Consolidating Information, 2013		
Balance Sheet	Schedule 5	29
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Statement of Comprehensive Income (Loss)	Schedule 7	31
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**FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
MULESHOE, TEXAS**

**CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING
AND ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

TABLE OF CONTENTS (CONCLUDED)

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Telecommunications Plant	Schedule 9	33
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Patronage Capital	Schedule 11	35

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

Board of Directors
Five Area Telephone Cooperative, Inc. and Subsidiaries
Muleshoe, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Five Area Telephone Cooperative, Inc. and Subsidiaries (the Cooperative), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income and patronage capital, comprehensive income and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Cooperative's preparation and fair presentation to the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

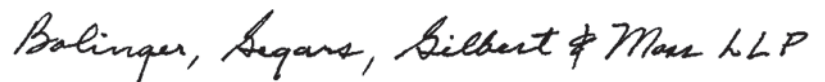
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Consolidating and Accompanying Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information consisting of balance sheets, statements of income (loss) and patronage capital, comprehensive income (loss) and statements of cash flows for the years ended December 31, 2014 and 2013 is shown on pages 25 through 32. The accompanying schedules of telecommunications plant, accumulated provision for depreciation and amortization, and patronage capital is shown on pages 33 through 35. The consolidating and accompanying information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The consolidating and accompanying information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and accompanying information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



Certified Public Accountants

Lubbock, Texas

April 8, 2015

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit A

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

ASSETS

	December 31,	
	2014	2013
CURRENT ASSETS		
Cash and Working Funds		
Temporary Cash Investments		
Telecommunications Accounts Receivable (Less provision for uncollectibles of \$2,923 in 2014 and \$5,111 in 2013)		
Other Accounts Receivable (Less provision for uncollectibles of \$[REDACTED] in 2014 and \$[REDACTED] in 2013)		
Interest Receivable		
Materials		
Prepayments		
Net Current Deferred Income Taxes		
OTHER NONCURRENT ASSETS		
Investments in and Advances to Affiliated Companies		
Unamortized Goodwill		
Investments in Associated Organizations		
Noncurrent Cash Investments		
Cash Surrender Value of Life Insurance		
Deferred Charges		
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications Plant in Service		
Plant Under Construction		
Non-operating Plant		
Less: Accumulated Provision for Depreciation and Amortization		
TOTAL ASSETS		
LIABILITIES AND EQUITIES		
CURRENT LIABILITIES		
Current Maturities - Long-term Debt		
Accounts Payable		
Advance Billing and Payments		
Customer Deposits		
Accrued Taxes		
Accrued Income Taxes		
Accrued Compensated Absences		
Other Current and Accrued Liabilities		
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities		
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS		
Post-retirement Benefits Obligation Other Than Pensions		
Other Deferred Credits		
Supplemental Retirement Plan Liability		
Net Noncurrent Deferred Income Taxes		
EQUITIES		
Patronage Capital		
Other Equities		
Accumulated Other Comprehensive Loss		
TOTAL LIABILITIES AND EQUITIES		

See accompanying notes to the consolidated financial statements.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit B

**CONSOLIDATED STATEMENTS OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	December 31,	
	2014	2013
OPERATING REVENUES		
Local Network Services		
Interstate Access and Universal Service Support		
Intrastate Access Revenue		
Non-regulated Revenues:		
Internet Network Services		
Equipment Sales, Maintenance and Installation Services		
Commission Revenue		
Long Distance Network Services		
Carrier Billing and Collection Services		
Miscellaneous Revenue		
Uncollectible Revenue		
OPERATING EXPENSES		
Plant Specific Operations		
Plant Nonspecific Operations		
Depreciation Expense		
Customer Operations		
Corporate Operations		
Operating Losses		
Operating Taxes		
NET OPERATING INCOME BEFORE FIXED CHARGES		
FIXED CHARGES		
Interest on Long-term Debt		
Allowance for Funds Used During Construction		
NET OPERATING INCOME		
NON-OPERATING INCOME (EXPENSE)		
Interest and Dividends		
Income from Affiliated Companies		
Other Expenses		
NET INCOME BEFORE INCOME TAXES		
INCOME TAX EXPENSE		
NET INCOME		
Patronage Capital Retired		
Transfer Subsidiary Income and Losses to Other Equities		
NET CHANGE IN PATRONAGE CAPITAL		
PATRONAGE CAPITAL - BEGINNING OF YEAR		
PATRONAGE CAPITAL - END OF YEAR		


See accompanying notes to the consolidated financial statements.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit C

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	December 31,	
	2014	2013
NET INCOME		
OTHER COMPREHENSIVE INCOME (LOSS)		
Unamortized Accumulated Post-retirement Benefit		
Obligation Other than Pensions		
Reclassification Adjustment for Amortization		
COMPREHENSIVE INCOME		

See accompanying notes to the consolidated financial statements.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit D

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Exhibit B)		
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Depreciation Expense		
APBO Net Periodic Cost		
Income from Affiliated Companies		
Accounts Receivable		
Deferred Income Taxes		
Capital Credits - Noncash		
Cash Surrender Value of Life Insurance Policy		
Deferred Charges		
Deferred Credits		
Other Noncurrent Liabilities		
Inventories and Other Current Assets		
Accrued Income Taxes		
Payables and Accrued Expenses		
Net Cash from Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Telecommunications Plant		
Salvage Value of Retirements and Other Credits		
Plant Removal Costs		
Net Change in Noncurrent Cash Investments		
Distributions from Associated Organizations		
Net Cash from Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-term Debt to RUS		
Net Change in RUS Cushion of Credit		
APBO Premium Payments		
Retirement of Patronage Capital		
Net Cash from Financing Activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		
CASH AND CASH EQUIVALENTS - END OF YEAR		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest		
Income Taxes		
NONCASH INVESTING AND FINANCING ACTIVITIES		
During the years ended December 31, 2014 and 2013, the Cooperative recorded a (decrease) increase in its post-retirement benefits obligation and a corresponding (decrease) increase in accumulated comprehensive loss in the amount of \$ [REDACTED] and \$ [REDACTED] respectively.		

See accompanying notes to the consolidated financial statements.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Nature of Operations and Summary of Significant Accounting Policies****Business Activity – Nature of Operations**

Five Area Telephone Cooperative, Inc. (the Cooperative) is a telecommunications utility acting as a local exchange carrier within the State of Texas, offering telecommunications services to the public under its Certificate of Public Convenience and Necessity issued by the Public Utility Commission of Texas.

Effective December 31, 2014, Five Area Systems, Inc. converted to a Limited Liability Company. The primary business of Five Area Systems, L.L.C. is sales and service of telephone equipment, providing access to the internet, wireless broadband services, paging services, and the providing of cellular telecommunications services through its investment in the Texas RSA 3 Limited Partnership. Five Area Systems, L.L.C. purchases all employee related services under an operating agreement with the Cooperative and does not employ any of its own personnel.

West Plains Telecommunications, Inc. is a telecommunications utility acting as a local exchange carrier within the State of Texas, offering telecommunications services to the public under its Certificate of Public Convenience and Necessity issued by the Public Utility Commission of Texas. West Plains Telecommunications, Inc. is wholly-owned by its parent company, the Cooperative. West Plains Telecommunications, Inc. purchases all employee related services under an operating agreement with the Cooperative and does not employ any of its own personnel.

The primary business of Five Area Long Distance, Inc. is to provide long distance telecommunications services. These services are provided primarily to customers located in the local exchanges served by the Cooperative and West Plains Telecommunications, Inc. Five Area Long Distance, Inc. purchases all employee related services under an operating agreement with the Cooperative and does not employ any of its own personnel.

System of Accounts

The accounting records of the Cooperative and West Plains Telecommunications, Inc. conform to the Uniform System of Accounts prescribed by the Federal Communications Commission for Class A telephone companies, modified for telephone borrowers of the Rural Utilities Service (RUS).

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiaries, Five Area Systems, L.L.C., Five Area Long Distance, Inc., and West Plains Telecommunications, Inc. All material intercompany transactions have been eliminated.

Regulatory Accounting

The Cooperative and West Plains Telecommunications, Inc. are subject to regulation by the Public Utility Commission of Texas (the Commission) and other federal agencies and follows accounting for regulated enterprises prescribed by Financial Accounting Standards generally accepted in the United States of America.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Revenue Recognition**

Monthly service plan revenues derived from local service are billed in advance and recognized in the month that service is provided. Usage sensitive revenues such as access (revenues earned from originating/terminating long distance calls) are generally billed as a per minute charge and are billed in arrears and recognized in the month the service is provided.

Interstate access revenues also include settlements based on the Cooperative's and West Plains Telecommunication, Inc.'s participation in the revenue pools administered by the National Exchange Carriers Association (NECA). These revenues are determined by annually determined separation and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. Additionally, the studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2014 and 2013.

The Cooperative's and West Plains Telecommunications, Inc.'s federal and state universal service support are intended to compensate the Cooperative and West Plains Telecommunications, Inc. for the high cost of providing rural telephone service. Federal Universal Service support revenues includes funds received for the high cost loop support, interstate common line support, Connect America Fund (CAF), and other miscellaneous programs. High cost loop support and interstate common line support are based on the Cooperative's and West Plains Telecommunications, Inc.'s current relative level of operating expense and plant investment. Support from the CAF is based on a historical frozen amount related to the 2011 plant investment and expenses associated with the switching function and certain 2011 intrastate access revenues (baseline revenues). The baseline revenue used to calculate CAF will be reduced by five percent each year.

The Texas Universal Fund provides options for Small ILECs to elect to modify the methodology for calculating their disbursements. The Cooperative and West Plains Telecommunications, Inc. elected the option whereby the commission shall disburse funds to the companies in fixed monthly amounts. For the 12-month period following the initial period for which a company made an election under this subsection and for subsequent 12-month periods, the most recent annualized support amount calculated by the commission shall be adjusted by a factor equal to the percentage change in the consumer price index for the most recent 12-month period. This state support funding program expires September 1, 2017, at which time the program will be reviewed by the Public Utility Commission of Texas.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The revenue received from the federal and state universal service programs are as follows:

	December 31,	
	2014	2013
Interstate Access Support - CAF		
Interstate Access Support - ICLS		
High Cost Local Loop Support		
State Support		
Total Universal Service Fund High Cost Support		

Regulation – The Cooperative's and West Plains Telecommunications, Inc.'s services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the Commission.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Federal Universal Service revenues are administered by the Universal Service Administration Company (USAC) based on rules established by the FCC, and by NECA
- State Universal Service funds are administered by Solix Solutions based on rules established by the Public Utility Commission of Texas.

Other sources of revenue are not rate regulated and include equipment sales, internet service, DSL service, directory, billing and collection services, commissions, rents and other incidental services.

Operating expenses and telecommunications plant are related primarily to regulated revenues. However, some of these costs jointly related to regulated and non-regulated services. For settlement purposes, USF, rate making and other regulatory purposes, the portion of these common costs related to non-regulated activities are removed from these accounts in accordance with Part 64 of the FCC rules in order to ensure that regulated revenues are based on cost of providing regulated services.

Federal USF and Interexchange Carrier Compensation Reform

In 2012, the Federal Communications Commission (FCC) reformed Intercarrier Compensation and Universal Service Funding (USF) mechanisms. The majority of the new rules took effect, subject to various transition provisions. Pending and future regulatory actions may have a significant impact on the Cooperative's and West Plains Telecommunications, Inc.'s future operations and financial condition.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Advertising Costs**

The Cooperative and Subsidiaries' policy is to directly expense all non-direct response advertising costs as incurred. The total marketing and advertising costs for the years ended December 31, 2014 and 2013 were \$ [REDACTED] and \$ [REDACTED], respectively.

Other Accounts Receivable

Other accounts receivable consist primarily of receivables from connecting interexchange carriers, the National Exchange Carriers Association (NECA), and the federal and state universal service funds.

Accounting Policies for Trade Receivables

In the normal course of business, the Cooperative and Subsidiaries recognize accounts receivable for telecommunications services provided and billed. The Cooperative and Subsidiaries allow 30 days from the date of bill for payment to be received or the service is disconnected. No interest is accrued on delinquent outstanding balances.

The Cooperative and Subsidiaries provide an allowance for doubtful accounts to recognize the portion of the receivables considered uncollectible. The allowance is estimated based on an aging of receivables and is tied to amounts owing in excess of 90 days. Management of the Cooperative and Subsidiaries periodically reviews delinquent accounts and charges off accounts over 180 days old.

Group Concentrations of Credit Risk

The Cooperative and Subsidiaries' headquarters facility is located in Muleshoe, Texas. The service area includes subscribers located in a seven county area surrounding the City of Muleshoe. The Cooperative and Subsidiaries record a receivable for telecommunications services revenues as billed on a monthly basis to the subscribers and interexchange carriers. The Cooperative and Subsidiaries require a deposit from its subscribers upon connection which is applied to unpaid bills in the event of default. The deposit accrues interest annually and is returned along with accrued interest after one year of prompt payments. As of December 31, 2014 and 2013, deposits on hand totaled \$ [REDACTED] and \$ [REDACTED] respectively.

The Cooperative and Subsidiaries maintain its cash in various financial institutions, insured by the Federal Deposit Insurance Corporation. Non-interest and interest bearing accounts are insured up to \$250,000. At various times during the year and at year end, the Cooperative and Subsidiaries' cash balances exceeded insured limits.

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flow, the Cooperative and Subsidiaries consider cash – general and temporary cash investments maturing in one year or less to be cash and cash equivalents.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Reclassifications**

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purpose to conform to the presentation in the current year's consolidated financial statements.

Subsequent Events

Five Area Systems, L.L.C. has an investment in and is a general partner of Texas RSA 3 Limited Partnership. The limited partnership is in the process of selling its assets and will subsequently liquidate the partnership. The sale is expected to be finalized before December 31, 2015.

The Cooperative and Subsidiaries management has evaluated subsequent events through April 8, 2015, the date the consolidated financial statements were available for issue.

2. Assets Pledged

All assets of West Plains Telecommunications, Inc. are pledged as security for the long-term debt to Rural Utilities Service (RUS).

3. Temporary Cash Investments


Temporary cash investments consist of certificates of deposit with maturities of less than one year.

4. Materials

Materials are valued at average cost and consist of the following:

	December 31,	
	2014	2013
Construction Materials		
Nonregulated Customer Premise		
Equipment Materials		

5. Investment in and Advances to Affiliated Companies

Five Area Systems, L.L.C.'s investment in Texas RSA 3 Limited Partnership is reflected on the consolidated financial statements using the equity method whereby Five Area Systems, L.L.C.'s share of the income of Texas RSA 3 Limited Partnership is recorded in the investment account with an offsetting entry to nonoperating income and expense. Five Area Systems, L.L.C. owns  % of Texas RSA 3 Limited Partnership.

Texas RSA 3 Limited Partnership provides rural cellular telecommunications services within the geographical area designated as Texas RSA 3 in the State of Texas.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Five Area Systems, L.L.C.'s investment in Texas RSA 3 Limited Partnership is as follows:

	December 31,	
	2014	2013
Investments and Advances		
Accumulated Income		
Income Recognized from the Partnership		

Five Area Systems, L.L.C.'s investment in The Texas Lonestar Network, L.L.C. represents a [REDACTED] % limited partnership interest and is reflected on the consolidated financial statements at cost as follows:

	December 31,	
	2014	2013
Initial Capital Contributions		
Advances		

A summary of financial information for Texas RSA 3 Limited Partnership is as follows:

	December 31,	
	2014	2013
Revenues		
Operating Expense		
Nonoperating Income (Expense)		
Net Income		
Current Assets		
Fixed Assets and Other Noncurrent Assets		
Total Assets		
Current Liabilities		
Partner's Capital		
Total Liabilities and Partner's Capital		

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****6. Investments in Associated Organizations**

Investments in associated organizations are recorded at the stated amount of the certificate and consist of the following:

	December 31,	
	2014	2013
Five Area Telephone Cooperative, Inc.		
Patronage Capital in Associated Organizati		
Class C Stock - Rural Telephone Finance		
Cooperative		
Subordinate Capital Certificates - Rural		
Telephone Finance Cooperative		
West Plains Telecommunications, Inc.		
Patronage Capital Credits:		
Rural Telephone Finance Cooperative		
Bailey County Electric Cooperative		
Five Area Systems, L.L.C.		
NRTC Patronage Capital Credits		
Total Investment in Associated Organizations		

7. Unamortized Goodwill

During the years ended June 30, 1993 and 1995, Five Area Systems, L.L.C. purchased additional interest in the Texas RSA 3 Limited Partnership. The purchase resulted in the recognition of goodwill for the difference between the purchase price and the book value of the underlying equity purchased. The following summarizes the unamortized balance of goodwill at December 31, 2014 and 2013:

	December 31,	
	2014	2013
Purchased Goodwill		
Less: Accumulated Amortization		

In accordance with Financial Accounting Standards generally accepted in the United States of America, on an annual basis the company determines if the investment in the Texas RSA 3 Limited Partnership, including goodwill, has been impaired. There was no impairment of the investment recorded for the years ending December 31, 2014 and 2013.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Noncurrent Cash Investments

Noncurrent cash investments consist on certificates of deposit that mature at times after December 31, 2014.

9. Cash Surrender Value of Life Insurance

The Cooperative purchases life insurance policies covering directors with a face amount of \$ [REDACTED]. Upon the death of the insured, the death benefits will be paid to the Cooperative. The Cooperative is obligated to pay \$ [REDACTED] of the death benefit to the insured directors' beneficiaries.

The Cooperative has a Key Man life insurance policy for an active employee. During the year ending December 31, 2013, the ownership of the policy and the proceeds from the cash surrender value of the policy were transferred to the employee based upon a vesting schedule, with the complete vesting occurring at age 65.

The carrying values of the policies are as follows:

	December 31,	
	2014	2013
Life Insurance - Directors	[REDACTED]	
Life Insurance - Active Employee		

10. Investment in Telecommunications Plant in Service

Plant, Maintenance, and Depreciation - Regulated

Telecommunications plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, allowance for funds used during construction, and overhead items. Contributions from others toward the construction of plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined by the continuing property records is credited to plant and such cost, together with cost of removal less salvage is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the removal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to cost of construction and plant specific operations.

Regulated telecommunications plant is depreciated using the straight line basis at annual rates, which will amortize the property over its estimated useful lives. Depreciation lives may be accelerated due to changes in technology or other industry conditions.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Plant, Maintenance, and Depreciation – Non-regulated

Non-regulated telecommunications plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, and overhead items. Upon sale or retirement of an asset, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized and included in gain (loss) on disposal of fixed assets. The cost of maintenance and repairs is charged to operating expenses.

Non-regulated telecommunications plant is depreciated using the straight line method over their estimated useful lives. Depreciation lives may be accelerated due to changes in technology or other industry conditions.

Listed below are the major classes of regulated and non-regulated telecommunications plant in service as of December 31, 2014 and 2013:

	Original Cost		Depreciation Rates	Accumulated Depreciation	
	December 31,			December 31,	
	2014	2013		2014	2013
Plant in Service - Regulated:					
FIVE AREA TELEPHONE					
COOPERATIVE, INC.					
General Support Assets					
Central Office Assets					
Cable and Wire Facilities					
WEST PLAINS					
TELECOMMUNICATIONS, INC.					
General Support Assets					
Central Office Assets					
Terminal Equipment Assets					
Cable and Wire Facilities					
Plant in Service - Non-regulated:					
FIVE AREA SYSTEMS, INC.					
Customer Premises Equipment	\$				
Central Office Assets					
Internet and DSL Equipment					
Home Automation					
Interactive TV					
	\$				
Total Plant in Service	\$				

Depreciation expense for the years ended December 31, 2014 and 2013 was \$ [REDACTED] and \$ [REDACTED], respectively.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Non-operating Plant

	December 31,	
	2014	2013
Land		

The balance in this account represents vacant land, which is currently not in service.

12. Mortgage Notes – RUS

The mortgage notes due to RUS from West Plains Telecommunications, Inc. are payable to the United States of America. The notes are for 20 year periods, and principal and interest installments are due monthly. Following is a summary of outstanding debt:

	December 31,	
	2014	2013
Note Due 2016		
Note Due 2025		
Note Due 2025		
Note Due 2025		
Note Due 2025		
Note Due 2025		
Note Due 2025		
Note Due 2025		
Less: Advance Payments		
Less: Current Maturities		

Estimated long-term debt maturities for the next five years are as follows:

2015	
2016	
2017	
2018	
2019	

According to the RUS loan documents, West Plains Telecommunications, Inc. shall make deposits to a funded reserve account so that the net book value of the plant financed by the RUS "A" loan, plus the funded reserve account balance, will at all times be at least equal to the outstanding principal and unpaid interest of the RUS "A" loan.

At December 31, 2014 and 2013, the "A" loan note balance was \$ and , respectively, and the related net book value of the plant financed by the "A" loan was \$ and \$, respectively. West Plains Telecommunications, Inc. has a funded reserve of \$ and \$, at December 31, 2014 and 2013, respectively. The restricted funds are included with amounts classified as cash and working funds, and temporary cash investments.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The debt covenants in the RUS mortgage notes agreement specify that West Plains Telecommunications, Inc. must maintain a minimum net plant to secured debt ratio (DSC) of 1.50 and a times interest earned ratio (TIER) of 1.50. At December 31, 2014, West Plains Telecommunications, Inc. complied with these requirements.

The long-term debt agreements contain restrictions on the return to shareholders of capital contributed by them. The terms of the RUS mortgage agreement require the maintenance of defined amounts of stockholder's equity after payment of dividends. West Plains Telecommunications, Inc. has equity in excess of the minimum requirements at December 31, 2014 and 2013.

13. Patronage Capital

Patronage capital consists of the following:

	December 31,	
	2014	2013
Assigned		
Assignable		
Less: Retired		

The Cooperative retired patronage capital totaling \$ [REDACTED] and \$ [REDACTED] during the years ended December 31, 2014 and 2013, respectively.

14. Other Equities

The Cooperative's by-laws provide that its Board of Directors may at its discretion, elect on an annual basis, whether or not it will allocate margins of the Cooperative's subsidiaries as recorded using the equity method. The balance in other equities consist of the margins of the Cooperative's subsidiaries recorded using the equity method beginning January 1, 1995.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Accumulated Other Comprehensive Loss

Comprehensive income is the display of unamortized accumulated post-retirement benefit obligation other than pensions that are charged directly to equity instead of the income statement. This display illustrates the effect on net income had the unamortized gains and losses been charged to net income. Comprehensive income items are for illustration purposes only and are not reflected on the records of the company.

	December 31,	
	2014	2013
Accumulated Comprehensive Loss		
Balance - Beginning of Year	\$	
Change in Unamortized Accumulated Post-retirement Benefit Obligation Other Than Pensions (APBO)		
Less: Reclassification Adjustment for Amortization of the unrecognized APBO recognized in net income		
	\$	

16. Income Taxes

For the tax years ended December 31, 2014 and 2013, the Cooperative did not qualify as a tax exempt organization under Section 501(c)(12) of the Internal Revenue Code and filed as a taxable cooperative. Effective December 31, 2014, Five Area Systems, L.L.C. is considered a disregarded entity and the results of its operations are combined with that of Five Area Telephone Cooperative, Inc. for purposes of federal taxation. Five Area Long Distance, Inc. and West Plains Telecommunications, Inc. are C corporations required to pay federal income taxes and file a consolidated federal income tax return with the Cooperative. Current taxes are allocated to each entities based on the taxable income of each entity. Deferred taxes are allocated to each company on a stand-alone basis.

The Cooperative and Subsidiaries account for deferred taxes using the asset and liability method. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the entities' assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Income tax expense is based on financial accounting income adjusted for permanent differences between financial accounting and taxable income purposes. The primary permanent differences consist of a deduction allowed for patronage sourced income from the Cooperative's patrons. Utilization of the patronage sourced income deduction effectively reduces the Cooperative and Five Area Systems, L.L.C.'s taxable income to that income derived from nonpatronage sources, which are primarily nonoperating margins.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Deferred income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. The principal sources of deferred income taxes are:

- a) Accelerated depreciation.
- b) Increased basis in cellular assets due to the additional interest purchased in Texas RSA 3 Limited Partnership.

West Plains Telecommunications, Inc., Five Area Systems, L.L.C. and Five Area Long Distance, Inc. are subject to the Texas State Franchise Tax. The State of Texas state franchise tax is the lower of one percent of the sum of, gross revenue less the higher of gross wages or cost of goods sold, or % of gross revenues.

The components of federal and state deferred tax assets are as follows:

	December 31,	
	2014	2013
Net Current Deferred Income Taxes		
Deferred Tax Assets - Other		
Deferred Tax Liabilities		
	\$	
Net Noncurrent Deferred Income Taxes		
Deferred Tax Assets	\$	
Deferred Tax Liabilities	\$	

The components of federal and state income tax (benefit) expense are as follows:

	December 31,	
	2014	2013
Current Income Tax Expense	\$	
Deferred Income Tax Expense (Benefit)		
Deferred Income Tax Expense - Effect of the Conversion of Five Area Systems, Inc. to an L.L.C.		
	\$	

The Cooperative and Subsidiaries adheres to the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax exempt entity. The Cooperative and Subsidiaries determined that it is more likely than not that their tax positions will be sustained upon examination by The Internal Revenue Service (IRS), or other State taxing authority, and that all tax benefits are likely to be realized upon settlement with taxing authorities.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Cooperative and its Subsidiaries file consolidated income tax returns in the U.S. federal jurisdiction, and in the State of Texas. The Companies are no longer subject to U.S. federal and state income tax examinations by federal taxing authorities for years before 2011, and Texas state taxing authorities for years before 2010.

The Cooperative and Subsidiaries recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2014 and 2013.

17. Employee Benefit Plans

Pension Benefits

Pension benefits for substantially all employees of the Cooperative are provided through the National Telephone Cooperative Association Retirement and Security Program and Savings Program.

The Retirement and Security Program is a defined benefit pension plan, and the Savings Program is a defined contribution plan. Both plans are exempt from federal income tax under the Internal Revenue Code. The Cooperative makes contributions to the Retirement and Security Program and to the Savings Program equal to amounts accrued for pension expense. The Program is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Retirement and Security Program is a master multi-employer plan, which is available to all members of NTCA. The accumulated benefits and plan assets are not determined or allocated separately by individual employers. The risks of participating in this multiemployer plan are as follows:

- Assets contributed to the plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining employers.
- If the Cooperative chooses to stop participating in the plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Additional information on these plans is as follows:

	December 31,	
	2014	2013
Plan Contributions:		
Retirement and Security Program	\$	
Savings Program		
	\$	

The Cooperative's employer contributions to these plans represent less than five percent of the total contribution by all plan participants.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

There have been no significant changes that affect the comparability of 2014 and 2013 contributions.

Retirement and Security Program Information:

EIN/ Pension Plan Number	Pension Protection Act		FIP/RP Status Implemented	Surcharge Imposed
	2013	2012		
52-0741336 / 333	Green	Green	N/A	No

There is no Collective Bargaining Agreement.

Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2014 and 2013 is for the plan's year-end at December 31, 2013, and December 31, 2012, respectively. The zone status is based on information that the Cooperative received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP" Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. Because the provisions of the PPA do not apply to the Retirement and Security Program, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

As discussed in Note 9, the Cooperative has provided life insurance policies for directors. The cost incurred by the Cooperative to provide these benefits for the years ended December 31, 2014 and 2013, was \$[REDACTED] and \$[REDACTED] respectively.

As discussed in Note 9, the Cooperative has provided life insurance policies for one active employee. The cost incurred by the Cooperative to provide this benefit for the years ended December 31, 2014 and 2013, was \$[REDACTED] and \$[REDACTED], respectively.

Post-retirement Benefits Other Than Pensions

The Cooperative provides post-retirement medical insurance benefits for eligible employees through a plan with NTCA. Accounting principles generally accepted in the United States require the cost of post-retirement health care benefits be recognized on the accrual basis as employees render service to earn the benefit.

Medical Benefits – Health Insurance Premiums

Eligibility	Employees retirement based on age 62 or older with at least 15 years of service. In order to qualify, the employee must be 55 years of age or older and have the "Rule of 85". Directors and attorneys are not eligible for the benefits.
Covered Group	Current retirees and active employees are the covered group. When the employee's spouse reaches age 62, the Cooperative will cover the employee's spouse.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Period of Coverage Lifetime.

Type of Plan National Telephone Cooperative Association (NTCA), VEBA II Trust.

Obligation and Funded Status:

	December 31,	
	2014	2013
Accumulated Post-retirement Benefit Obligation:		
Retirees	\$	
Actives Fully Eligible		
Actives Not Fully Eligible		
Total	\$	
Plan Assets at Fair Value - (Investment Input Level 2)		
Accrued Post-retirement Benefit Obligation	\$	
Amounts recognized in accumulated other comprehensive income:		
Net Actuarial Losses	\$	
Unamortized Prior Service Cost		
	\$	

Net periodic post-retirement health care cost and other changes in plan assets and benefit obligations recognized in comprehensive income:

	December 31,	
	2014	2013
Net Obligation at January 1,	\$	
Net Periodic Post-retirement Benefit Cost:		
Service Cost During the Period		
Interest Cost on Accumulated Post-retirement Benefit Obligation		
Expected Return on Plan Assets		
Actuarial Changes Charged to Expense		
Actuarial Gains and Losses		
Benefits Paid by the Cooperative		
Contributions to Plan Assets by the Cooperative		
Net Obligation at December 31,	\$	

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts recognized in accumulated other comprehensive loss:

		December 31,	
		2014	2013
Unrecognized Amount at January 1,	\$		
Amortization of Prior Service Cost			
Amortization of Cumulative Gains and Losses			
Actuarial Gains and Losses			
Unrecognized Amount at December 31,	\$		

Amortization of cumulative gains and losses is over the average remaining work life of active employees. Amortization of the past service cost is over approximately 14 years.

Actuarial Cost Method

The actuarial cost method used was the projected unit credit cost method.

Weighted Average Assumptions:

	December 31,	
	2014	2013
Discount rate		
Rate of Compensation Increase		
Expected Rate of Return Assumed for Next Year		
Health-Care Cost Trend Rate Assumed For Next Year		
Rate to Which the Cost Trend Rate is Assumed to Decline, Ultimate Trend Rate		
Year That the Rate Reaches the Ultimate Trend Rate		
Obligation Measurement Date	10/1/2014	10/1/2013

Plan Assets:

	December 31,	
	2014	2013
Plan Assets at Fair Value (Investment Input Level)	\$	\$

Investment levels are based on inputs used to calculate fair market value of investments. The inputs for Level 2 investments include available indirect information, such as quoted prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The 401(h) pre-funding accounts use the same asset allocation policy as the NTCA Retirement and Security Program which is allocated as follows:

	December 31,	
	2014	2013
Vanguard Mutual Funds:		
Equity		
Fixed Income and Cash		
Real Estate Investment Trust		

Cash Flow:

	December 31,	
	2014	2013
Benefits Paid by the Cooperative	\$	
Expected Plan Contributions		

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2015	\$	
2016		
2017		
2018		
2019		
2020-2024		

The Medicare Part D Subsidy is currently reflected in the health-care premiums for participants over the age of 65. Assuming that the group health-care plan applied and continues to be eligible for the subsidy, it is estimated that the subsidy will result in are estimated % reduction in the APBO.

18. Litigation and Commitments

There is no pending litigation against the Cooperative or its Subsidiaries that would have a material effect on the financial statements.

19. Leases

The Cooperative is currently leasing fiber optic facilities under an operating lease on a month-to-month basis. The monthly lease payment is \$ for each DS-3 circuit utilized, with additional charges for multiplexing and miles of cable used. The Cooperative incurred lease costs of \$ and \$ the years ended December 31, 2014 and 2013, respectively.

CONSOLIDATING AND ACCOMPANYING INFORMATION

CONSOLIDATING INFORMATION, 2014

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 1

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2014

ASSETS

	Five Area Telephone Cooperative	West Plains Telecom. Inc.	Five Area Systems	Five Area Long Distance	Eliminating Entries	Consolidated Total
CURRENT ASSETS						
Cash and Working Funds						
Temporary Cash Investments						
Telecommunications Accounts Receivable (Less provision for uncollectibles of \$2,923)						
Other Accounts Receivable (Less provision for uncollectibles of \$3,383)						
Accounts Receivable - Related Parties						
Interest Receivable						
Materials						
Prepayments						
Net Current Deferred Income Taxes						
OTHER NONCURRENT ASSETS						
Investments in and Advances to Affiliated Companies						
Unamortized Goodwill						
Investments in Associated Organizations						
Noncurrent Cash Investments						
Cash Surrender Value of Life Insurance						
Deferred Charges						
PROPERTY, PLANT, AND EQUIPMENT						
Telecommunications Plant in Service						
Plant Under Construction						
Nonoperating Plant						
Less: Accumulated Provision for Depreciation and Amortization						
TOTAL ASSETS						

LIABILITIES AND EQUITIES

CURRENT LIABILITIES	
Current Maturities - Long-term Debt	
Accounts Payable	
Accounts Payable - Related Parties	
Advance Billing and Payments	
Customer Deposits	
Accrued Taxes	
Accrued Income Taxes	
Accrued Compensated Absences	
Net Current Deferred Income Taxes	
Other Current and Accrued Liabilities	
LONG-TERM DEBT	
RUS Mortgage Notes Less Current Maturities	
OTHER NONCURRENT LIABILITIES AND DEFERRED CRED	
Post-retirement Benefit Obligation Other Than Pensions	
Other Deferred Credits	
Supplemental Retirement Plan Liability	
Net Noncurrent Deferred Income Taxes	
EQUITIES	
Common Stock	
Paid in Capital	
Retained Earnings	
Patronage Capital	
Other Equities	
Accumulated Other Comprehensive Loss	
TOTAL LIABILITIES AND EQUITIES	

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 2

CONSOLIDATING INFORMATION
STATEMENT OF INCOME (LOSS) AND PATRONAGE CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Five Area Telephone Cooperative</u>	<u>West Plains Telecom. Inc.</u>	<u>Five Area Systems</u>	<u>Five Area Long Distance</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
OPERATING REVENUES						
Local Network Services						
Interstate Access and Universal Service Support						
Intrastate Network Access Services						
Non-regulated Revenues:						
Internet Network Services						
Equipment Sales, Maintenance and Installation Services						
Commission Revenue						
Long Distance Network Services						
Carrier Billing and Collection Services						
Miscellaneous						
Uncollectible Revenue						
OPERATING EXPENSES						
Plant Specific Operations						
Plant Nonspecific Operations						
Depreciation Expense						
Customer Operations						
Corporate Operations						
Operating Taxes						
NET OPERATING INCOME (LOSS) BEFORE FIXED CHARGES						
FIXED CHARGES						
Interest on Long-term Debt						
Allowance for Funds Used During Construction						
NET OPERATING INCOME (LOSS)						
NON-OPERATING INCOME (EXPENSE)						
Interest and Dividends						
Income from Affiliated Companies						
Other Expenses						
NET INCOME (LOSS) BEFORE INCOME TAXES						
INCOME TAX EXPENSE (BENEFIT)						
NET INCOME (LOSS)						
Patronage Capital Retired						
Transfer Subsidiary Income and Losses to Other Equities						
NET CHANGE IN PATRONAGE CAPITAL						
PATRONAGE CAPITAL - BEGINNING OF YEAR						
PATRONAGE CAPITAL - END OF YEAR						

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 3

CONSOLIDATING INFORMATION
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Five Area Telephone Cooperative</u>	<u>West Plains Telecom. Inc.</u>	<u>Five Area Systems</u>	<u>Five Area Long Distance</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
NET INCOME (LOSS)						
OTHER COMPREHENSIVE INCOME (LOSS)						
Unamortized Accumulated Post-retirement Benefit Obligation Other than Pensions						
Reclassification Adjustment for Amortization						
COMPREHENSIVE INCOME (LOSS)						

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 4

CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Five Area Telephone Cooperative</u>	<u>West Plains Telecom. Inc.</u>	<u>Five Area Systems</u>	<u>Five Area Long Distance</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income (Loss)						
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:						
Depreciation Expense						
APBO Net Periodic Cost						
Income from Affiliated Companies						
Accounts Receivable						
Accounts Receivable - Related Parties						
Deferred Income Taxes						
Capital Credits - Noncash						
Cash Surrender Value of Life Insurance Policy						
Deferred Charges						
Deferred Credits						
Other Noncurrent Liabilities						
Inventories and Other Current Assets						
Accounts Payable - Related Parties						
Accrued Income Taxes						
Payables and Accrued Expenses						
Net Cash from Operating Activities						
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to Telecommunications Plant						
Salvage Value of Retirements and Other Credits						
Plant Removal Costs						
Net Change in Noncurrent Cash Investments						
Distributions from Associated Organizations						
Net Cash from Investing Activities						
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments on Long-term Debt to RUS						
Net Change in RUS Cushion of Credit						
APBO Premium Payments						
Retirement of Patronage Capital						
Net Cash from Financing Activities						
NET CHANGE IN CASH AND CASH EQUIVALENTS						
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR						
CASH AND CASH EQUIVALENTS - END OF YEAR						
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION						
Cash Paid During the Year for:						
Interest						
Income Taxes						
NONCASH INVESTING AND FINANCING ACTIVITIES						
During the year ended December 31, 2014, the Cooperative recorded a decrease in its post-retirement benefits obligation and a corresponding decrease in accumulated comprehensive loss in the amount of \$376,834.						

CONSOLIDATING INFORMATION, 2013

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 5

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2013

ASSETS

	Five Area Telephone Cooperative	West Plains Telecom. Inc.	Five Area Systems	Five Area Long Distance	Eliminating Entries	Consolidated Total
CURRENT ASSETS						
Cash and Working Funds						
Temporary Cash Investments						
Telecommunications Accounts Receivable (Less provision for uncollectibles of \$5,111)						
Other Accounts Receivable (Less provision for uncollectibles of \$3,383)						
Accounts Receivable - Related Parties						
Interest Receivable						
Materials						
Prepayments						
Prepaid Income Taxes						
Net Current Deferred Income Taxes						
OTHER NONCURRENT ASSETS						
Investments in and Advances to Affiliated Companies						
Unamortized Goodwill						
Investments in Associated Organizations						
Noncurrent Cash Investments						
Cash Surrender Value of Life Insurance						
Deferred Charges						
PROPERTY, PLANT, AND EQUIPMENT						
Telecommunications Plant in Service						
Nonoperating Plant						
Less: Accumulated Provision for Depreciation and Amortization						
TOTAL ASSETS						

LIABILITIES AND EQUITIES

CURRENT LIABILITIES	
Current Maturities - Long-term Debt	
Accounts Payable	
Accounts Payable - Related Parties	
Advance Billing and Payments	
Customer Deposits	
Accrued Taxes	
Accrued Income Taxes	
Accrued Compensated Absences	
Other Current and Accrued Liabilities	
LONG-TERM DEBT	
RUS Mortgage Notes Less Current Maturities	
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS	
Post-retirement Benefit Obligation Other Than Pensions	
Other Deferred Credits	
Supplemental Retirement Plan Liability	
Net Noncurrent Deferred Income Taxes	
EQUITIES	
Common Stock	
Paid in Capital	
Retained Earnings	
Patronage Capital	
Other Equities	
Accumulated Other Comprehensive Loss	
TOTAL LIABILITIES AND EQUITIES	

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 6

CONSOLIDATING INFORMATION
STATEMENT OF INCOME (LOSS) AND PATRONAGE CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Five Area Telephone Cooperative</u>	<u>West Plains Telecom. Inc.</u>	<u>Five Area Systems</u>	<u>Five Area Long Distance</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
OPERATING REVENUES						
Local Network Services						
Interstate Access and Universal Service Support						
Intrastate Network Access Services						
Non-regulated Revenues:						
Internet Network Services						
Equipment Sales, Maintenance and Installation Services						
Commission Revenue						
Long Distance Network Services						
Carrier Billing and Collection Services						
Miscellaneous						
Uncollectible Recovery (Revenue)						
OPERATING EXPENSES						
Plant Specific Operations						
Plant Nonspecific Operations						
Depreciation Expense						
Customer Operations						
Corporate Operations						
Operating Losses						
Operating Taxes						
NET OPERATING INCOME (LOSS) BEFORE FIXED CHARGES						
FIXED CHARGES						
Interest on Long-term Debt						
Allowance for Funds Used During Construction						
NET OPERATING INCOME (LOSS)						
NON-OPERATING INCOME (EXPENSE)						
Interest and Dividends						
Income from Affiliated Companies						
Other Expenses						
NET INCOME (LOSS) BEFORE INCOME TAXES						
INCOME TAX EXPENSE (BENEFIT)						
NET INCOME (LOSS)						
Patronage Capital Retired						
Transfer Subsidiary Income and Losses to Other Equities						
NET CHANGE IN PATRONAGE CAPITAL						
PATRONAGE CAPITAL - BEGINNING OF YEAR						
PATRONAGE CAPITAL - END OF YEAR						

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 7

CONSOLIDATING INFORMATION
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Five Area Telephone Cooperative</u>	<u>West Plains Telecom. Inc.</u>	<u>Five Area Systems</u>	<u>Five Area Long Distance</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
NET INCOME (LOSS)						
OTHER COMPREHENSIVE INCOME (LOSS)						
Unamortized Accumulated Post-retirement Benefi						
Obligation Other than Pensions						
Reclassification Adjustment for Amortization						
COMPREHENSIVE INCOME (LOSS)						

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 8

CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Five Area Telephone Cooperative</u>	<u>West Plains Telecom. Inc.</u>	<u>Five Area Systems</u>	<u>Five Area Long Distance</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income (Loss)						
Adjustments to Reconcile Net Income (Loss) to Net Cash						
from Operating Activities:						
Depreciation Expense						
APBO Net Periodic Cost						
Income from Affiliated Companies						
Accounts Receivable						
Accounts Receivable - Related Parties						
Deferred Income Taxes						
Capital Credits - Noncash						
Cash Surrender Value of Life Insurance Policy						
Deferred Charges						
Deferred Credits						
Other Noncurrent Liabilities						
Inventories and Other Current Assets						
Accounts Payable - Related Parties						
Accrued Income Taxes						
Payables and Accrued Expenses						
Net Cash from Operating Activities						
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to Telecommunications Plant						
Salvage Value of Retirements and Other Credits						
Plant Removal Costs						
Net Change in Noncurrent Cash Investments						
Distributions from Associated Organizations						
Net Cash from Investing Activities						
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments on Long-term Debt to RUS						
Net Change in RUS Cushion of Credit						
APBO Premium Payments						
Retirement of Patronage Capital						
Net Cash from Financing Activities						
NET CHANGE IN CASH AND CASH EQUIVALENTS						
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR						
CASH AND CASH EQUIVALENTS - END OF YEAR						
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION						
Cash Paid During the Year for:						
Interest						
Income Taxes						
NONCASH INVESTING AND FINANCING ACTIVITIES						
During the year ended December 31, 2013, the Cooperative recorded an increase in its post-retirement benefits obligation and a corresponding increase in accumulated comprehensive loss in the amount of \$624,606.						

ACCOMPANYING INFORMATION

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FIVE AREA TELEPHONE COOPERATIVE, INC.

Schedule 9

**ACCOMPANYING INFORMATION
TELECOMMUNICATIONS PLANT
FOR THE YEAR ENDED DECEMBER 31, 2014**


	<u>Balance</u> <u>12/31/2013</u>	<u>Transfers</u> <u>and</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2014</u>
TELECOMMUNICATIONS PLANT IN SERVICE				
General Support Assets:				
Land	\$			
Vehicles				
Garage Work Equipment				
Other Work Equipment				
Buildings				
Furniture				
Office Equipment				
General Purpose Computers				
	\$			
Central Office Assets:				
C.O.E. - Digital Electronic Switching	\$			
Circuit Equipment - Digital				
Circuit Equipment - Lightwave				
Circuit Equipment - Analog				
	\$			
Cable And Wire Facilities:				
Poles	\$			
Buried Cable				
Fiber Optic Cable				
	\$			
Total Telecommunications Plant in Service	\$			
Nonoperating Plant				
Plant Under Construction				
Total Telecommunications Plant	\$			

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FIVE AREA TELEPHONE COOPERATIVE, INC.

Schedule 10

**ACCOMPANYING INFORMATION
ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Balance</u> <u>12/31/2013</u>	<u>Transfers</u> <u>and</u> <u>Accruals</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2014</u>
General Support Assets:				
Vehicles				
Garage Work Equipment				
Other Work Equipment				
Buildings				
Furniture				
Office Equipment				
General Purpose Computers				
Central Office Assets:				
C.O.E. - Digital				
Circuit Equipment - Digital				
Circuit Equipment - Lightwave				
Circuit Equipment - Analog				
Cable And Wire Facilities:				
Poles				
Buried Cable				
Fiber Optic Cable				
Total Telecommunications Plant				

(1)

(1) Original Cost of Plant Retired
Add: Cost of Removal
Less: Salvage Value



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FIVE AREA TELEPHONE COOPERATIVE, INC.

Schedule 11

ACCOMPANYING INFORMATION
PATRONAGE CAPITAL
DECEMBER 31, 2014

Year	Assignable	Assigned	Retired	Balance
1969	\$			\$
1970				
1971				
1972				
1973				
1978				
1979				
1980				
1981				
1982				
1983				
1984				
1985				
1986				
1987				
1988				
1989				
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1997				
1998				
1999				
2000				
2001				
2002				
2003				
2004				
2005				
2006				
2007				
2008				
2009				
2010				
2011				
2012				
2013				
2014	(1) _____			
	\$ _____			\$ _____

(1) 2014 Net Income
Transfer Subsidiary Income and
Losses to Other Equities